

The complaint

Mr C complains that Mercedes-Benz Financial Services UK Limited (MBFS) has wrongly charged him for damage to a car he took on hire purchase.

What happened

In April 2018 Mr C entered into a four-year hire purchase agreement for a used car. The agreement included the following:

“You must return the vehicle together with everything supplied with the vehicle to us at your own expense (in accordance with the Vehicle Return Standards). If you fail to take reasonable care of the vehicle you will have to pay our costs of repairing and/or refurbishing the vehicle.

“If upon return of the vehicle, the vehicle is not returned together with everything supplied with the vehicle and does not meet the Vehicle Return Standards, or any additions, alterations or replacements have been made which negatively affect the value of the vehicle, then you will compensate us for any loss that we may suffer. This includes any loss incurred whereby you have failed to maintain the vehicle in accordance with the manufacturer’s guidelines.”

The Vehicle Return Standards were set out over more than two pages of the agreement. They explained in some detail what level of damage was acceptable as wear and tear and what was not acceptable – for example, by reference to length and depth of scratches. At the end of that section the agreement said:

“If you fail to take reasonable care of the vehicle and fail to maintain the vehicle in accordance with the manufacturer’s guidelines and/or the Vehicle Return Standards, you will have to pay our costs either of repairing and/or refurbishing the vehicle, or the cost of the consequent reduction in the sale value of the vehicle, as compensation.”

In June 2021 Mr C decided that he wanted to return the car. An initial inspection of the car’s condition was carried out when it was collected, followed by a more detailed inspection a few days later.

Following the second inspection, MBFS sent Mr C an invoice for £1,415 in relation to various dents and scratches to the bodywork and wheels and a missing V5 document. MBFS agreed to remove charges totalling £500, leaving £945 outstanding. Mr C referred the remaining charges to this service.

One of our investigators reviewed the case, including the inspection reports. Having done so, he was not persuaded that they showed damage to one of the wheels as MBFS had said. He therefore recommended that one charge for £110 be removed. He thought however that the remaining charges were justified.

MBFS accepted the assessment and agreed to reduce the charge by £110. Mr C did not agree with the investigator’s assessment, however, and asked that an ombudsman review

the matter. Amongst other things, he did not believe he should have been charged if repairs had not been carried out.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

As is usual industry practice, MBFS arranged for two inspections – a fairly brief one when the car was collected and a more detailed inspection in a more controlled environment. Mr C has expressed some concern that there were two inspections. As I say, however, that is normal. But in any event, the key issue here is whether there was damage to the car and, if so, the extent of it. The best evidence of that is provided by the report of the second inspection.

The investigator considered carefully the results of both inspections. Having done so, he concluded that all but one of the charges had been levied fairly and in line with the Vehicle Return Standards and guidelines published by the British Vehicle Rental and Leasing Association. I see no reason to reach a different conclusion from that reached by the investigator about the extent of the damage.

Mr C says too that no charge should be levied for repairs that have not been carried out. The hire purchase agreement however allows MBFS to charge for the costs of repairs or refurbishment and for any reduction in the sale value of the car as the result of damage. Its right to levy a charge does not therefore depend on repairs having been carried out. The reduction in value of the car due to damage is likely to be very similar to the cost of a repair.

Putting things right

MBFS has agreed to the reduction recommended by the investigator. I will nevertheless make a formal award, so that Mr C can enforce it should he need to do so.

My final decision

My final decision is that, to resolve Mr C's complaint, Mercedes-Benz Financial Services UK Limited should reduce its charge for damage by £110.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 16 June 2022.

Mike Ingram
Ombudsman